

State takes firm stand amid CHIP negotiation

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HELENA -- State health officials are asking Blue Cross/Blue Shield of Montana for changes in its contract to provide health insurance to nearly 11,000 low-income kids in Montana, including the return of \$2 million in "reserves" kept by the insurer.

In a letter delivered to Blue Cross/Blue Shield a week ago, the state also doubted that premiums for the program need to be increased 9 percent -- as suggested last month by the company.

Since 1999, Blue Cross/Blue Shield has held the contract to manage the taxpayer-funded Children's Health Insurance Program (CHIP), which insures about 10,900 children.

The contract has been renewed each year in October.

The state now believes some changes are in order, with an eye toward keeping as many kids as possible insured by CHIP.

"All of our negotiating points stem from ... trying to do the best for Montana kids with the most money available," said Chuck Hunter, head of the state Child and Adult Health Resources Division.

Hunter wrote the letter that outlined the state's proposal, as part of negotiations just getting under way. At the Tribune's request, the state released a copy of the letter.

Low-income advocates have been pressing the state to either manage the program itself or crack down on what they see as excessive overhead costs at Blue Cross/Blue Shield.

For the four years ending in mid-2003, Blue Cross/Blue Shield had kept 23 percent of program funds for administrative and other costs, including a \$2.5 million reserve.

Tanya Ask, vice president of government affairs for Blue Cross/Blue Shield, said Friday the company is "looking at the whole letter and evaluating the whole proposal."

She pointed out that Blue Cross/Blue Shield already had suggested that a portion of future "reserves" from CHIP be returned to the state, beginning the next contract year.

Ask also noted that under the contract, Blue Cross/Blue Shield has assumed the risk for the insurance program, and that a large, unexpected claim could easily wipe out a portion of the reserves.

"It only takes one large claim to see the reserves go by the wayside," she said. "That's extremely important to remember. Our risk is for any medical claims that come in."

CHIP is a government-funded insurance plan for kids of families whose income is below 150 percent of the federal poverty level.

The federal government pays for 81 percent of the program and the state covers the rest.

It covers basic medical costs, eyeglasses and dental care. Blue Cross/Blue Shield, Montana's largest private insurer, has the contract to administer the basic medical portion of CHIP.

There's often a waiting list of children wanting insurance from the program.

CHIP advocates have argued that if administrative costs were lower, more money could be spent on insuring kids and paying for medical costs.

Hunter's letter said the state believes Blue Cross/Blue Shield's reserve from CHIP now may be as much as \$3 million, and that the company should return \$2 million to the state.

He also said:

- Starting in October, Blue Cross/Blue Shield should return 70 percent of any future reserves to the state. The money would be put in a "rate stabilization account," to either insure more kids or offset future premium increases, he said. Blue Cross/Blue Shield had proposed returning 50 percent of future reserves.

- The state is studying administrative costs of CHIP in other states, to see how Montana stacks up.
- The state doesn't believe a 9 percent increase in premiums is justified. If that happens, the state would have to come up with an additional \$515,000 this year to keep enrollment in the program at 10,900 kids, he said.

Hunter called the letter "a straightforward equation of what we'd like for the contract next year," although he acknowledged it is a negotiating position.

Ask said Blue Cross/Blue Shield is open to adjusting the program, which is now five years old. The insurer and the state know more about the program's track record and costs, she said.

She also said the request for a 9 percent increase in premiums is a "preliminary number," and that Blue Cross/Blue Shield will evaluate costs as contract talks proceed.

Health care costs in Montana are continuing to increase, particularly hospital charges, and the rate-increase request reflects that reality, she said.

CHIP also pays higher rates than other government-funded programs like Medicaid, encouraging more providers to participate -- but making it a bit more expensive to operate, she added.

"We've been able to keep those physicians and other providers in the program, which I think benefits the children," Ask said.

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